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Korea, Republic of

Citrus

Citrus Annual

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Report Highlights:

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Annual Report
Seoul [KS1], KS

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PSD Table						
Country:	Korea, Republic of					
Commodity:	Fresh Citrus,Other					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Planted	25802	25802	25781	25781	0	25800
Area Harvested	23447	23447	22687	22687	0	22704
Bearing Trees	27092	27092	28359	28359	0	28380
Non-Bearing Trees	11611	11611	10313	10313	0	10320
TOTAL No. Of Trees	38703	38703	38672	38672	0	38700
Production	507	507	651	658	0	525
Imports	1	1	1	1	0	1
TOTAL SUPPLY	508	508	652	659	0	526
Exports	1	1	4	4	0	7
Fresh Dom. Consumption	495	495	644	641	0	507
Processing	12	12	4	14	0	12
TOTAL DISTRIBUTION	508	508	652	659	0	526

PSD Table						
Country:					Degrees Brix	
Commodity:	FOJC					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin						
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	2500	2500	3062	3062	2906	1974
Production	1251	1251	454	1470	0	1280
Imports	51357	51357	48789	31000	0	45000
TOTAL SUPPLY	55108	55108	52305	35532	2906	48254
Exports	5564	5564	6000	2900	0	2500
Domestic Consumption	46482	46482	43399	30658	0	43073
Ending Stocks	3062	3062	2906	1974	0	2681
TOTAL DISTRIBUTION	55108	55108	52305	35532	0	48254

Executive Summary

MY 1998/99 outdoor Unshu orange production is estimated at 490,000 Metric Tons (MT), a 26-percent decline compared to the MY 1997/98 crop. Total crop yield is expected to be lower but fruit quality and sweetness should be higher. MY 1997/98 greenhouse production totaled 31,000 MT, a 15-percent increase over the previous year. MY 1998/99 greenhouse production is expected to increase only marginally as higher input costs are expected to negate the attractiveness of this crops' higher market price.

In MY 1998/99 fresh market demand is expected to be adversely affected by the relatively high per unit price per tangerine in this still contracting economy. In MY 1997/98 consumer demand skyrocketed when producers slashed prices in effort to move a bumper crop through the system while, simultaneously, the economy was undergoing a major contraction.

Between October 1997 and August 1998, Korea exported 4,213 MT of tangerines. Nearly all the produce destined for the U.S. market was rejected because the U.S. Food & Drug Administration detected excessive chemical residues on the fruit during routine port testing.

Between January and August 1997, fresh orange imports totaled 35,487 MT which included 28,125 MT brought in under the MMA quota. The weak economy the latter half of the year crimped import demand overall but not for top quality oranges. In MY 1998/99, orange imports are projected at 40,000 MT but if last season's quality problems persist, importers will source elsewhere. The National Plant Quarantine Service still maintains the 100-percent fumigation policy implemented in MY 1997/98 after red scale was detected on imported oranges.

In May, 1998, the Korean Food and Drug Administration conformed its chemical residue standards to that of the Codex Alimentarius. The revisions have greatly eased restrictions on citrus imports.

Consumer demand for FOJC, the most popular fruit drink, has suffered a 30-percent drop since the onset of the economic crisis last fall. Processor expectations are that it will take at least two years for the juice market to return to the level experienced prior to the economic crisis.

Production

MY 1998/99 outdoor production of the Unshu orange (otherwise known as a tangerine or mandarin orange) is estimated at 490,000 Metric Tons (MT), a 26-percent decline compared to the MY 1997/98 crop. This being an off-year for a product subject to cyclical production cycles should result with in lower total crop yield but a higher quality, sweeter fruit harvested. Harvesting of the outdoor crop is projected to be completed by December 20 with final marketing and distribution done prior to next March. Production of non-traditional varieties of oranges, such as navels, etc., is projected to top 2,700 MT on 315 HA.

MY 1997/98 greenhouse production, harvested between May and September, totaled 31,000 MT on 637 HA, a 15-percent increase over the previous year. MY 1998/99 greenhouse production is expected to increase only marginally as higher input costs are expected to negate the attractiveness of this crops' higher market price.

The Cheju Provincial Government notes that even though this year's production is down outdoor citrus production area still exceeds their target optimum level for the sector. For that reason the government is actively promoting conversion of some outdoor production area to greenhouse production, and is encouraging

production of alternative crops such as persimmon, carrots and ginseng.

Korea: Citrus Production Situation

Year	Area (HA)	Production (MT)	Farm Household	Gross Income (Mil.won)
1980	14,094	187,470	19,996	54,500
1985	16,969	394,300	23,332	124,189
1990	19,414	492,700	25,616	315,100
1991	19,605	556,350	25,818	425,134
1992	21,727	718,700	29,541	262,330
1993	21,479	619,000	26,571	394,829
1994	22,800	548,945	26,596	552,120
1995	24,150	614,770	26,589	433,447
1996	25,802	480,000	36,055	607,900
1997	25,781	693,200	36,050	400,862
1998	25,800	525,000	N/A	N/A

Note: Indoor production is included. In 1997 an estimated 40,000 MT of citrus were discarded.

Source: Cheju Provincial Government

Korea: Citrus Utilization (Unit: MT)

Year	Total	Fresh	Processing	Other 1/
1975	81,105	70,309	5,858	4,938
1980	187,470	154,046	23,798	9,626
1985	394,300	313,041	65,659	15,600
1990	492,700	354,326	115,718	22,656
1991	556,350	433,911	76,543	45,896
1992	718,700	528,861	136,239	53,600
1993	619,000	520,886	68,727	29,387
1994	548,945	460,620	30,727	57,598
1995	614,770	553,683	47,227	13,860

1996	480,000	438,000	12,000	30,000
1997	693,200	617,747	13,785	61,668

1/ Other - composed of self consumption, loss and discarded citrus in Cheju

Korea: Citrus Production as Ratio of Fruit Production

(Unit: 1,000 MT, Ratio: Percent)

Year	Total Fruits	Citrus	Ratio
1980	833	187	22.4
1985	1,463	394	27.5
1990	1,765	493	30.4
1992	2,090	719	36.5
1993	1,920	619	35.0
1994	1,930	549	28.4
1995	2,150	615	28.6
1996	2,003	480	24.0
1997	2,452	693	28.0

Source: Cheju Provincial Government

Korea: Citrus Growing Situation in Greenhouse

Year	Area (HA)	Production (MT)	Gross Income (Million Won)	Household	Price (Won/kg)
1990	25.5	1,277	3,908	114	3,060
1991	80.2	4,224	12,756	328	3,020
1992	164.4	5,364	16,467	643	3,070
1993	295.6	9,112	24,010	1,035	2,635
1994	376	13,220	39,858	1,278	3,015
1995	425	15,851	46,500	1,537	2,800
1996	497.7	23,093	74,659	1,601	3,233
1997	554.2	27,461	85,077	1,762	3,098

1998	637	31,000	N/A	N/A	N/A
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Source: Cheju Provincial Government

Consumption

In MY 1998/99 fresh market demand is expected to be adversely affected by the relatively high per unit price per tangerine in this still contracting economy. Domestic prices are expected to double due to the smaller crop. In MY 1997/98 consumer demand skyrocketed when producers slashed prices in effort to move a bumper crop through the system while, simultaneously, the economy was undergoing a major contraction.

Given the expected rise in fresh market prices, little domestic production is envisioned being diverted to the processing sector. In MY 1997/98, juice manufacturers purchased 13,785 MT of locally produced tangerines. That year the average wholesale price for fresh tangerines was 964 Korean Won/kg as compared to the price for processing tangerines set at 100 Korean Won/kg.

Korea: Purchasing Price of Processing Tangerine Orange (Won/kg)

Year	Price
1991	366
1992	250
1993	267
1994	220
1995	220
1996	220
1997	100

Trade

Export

Between October 1997 and August 1998, Korea exported 4,213 MT of tangerines. Nearly 1,000 MT were destined for the U.S. market. However, the majority of this amount never entered the U.S. because the U.S. Food & Drug Administration detected excessive amounts of the chemical EPN on the produce during routine port testing. The Korean exporter either destroyed or diverted to Canada the contaminated tangerine shipments. The Cheju Trading Company has set its MY 1998/99 tangerine export goal at 9,000 MT. Primary markets will be Japan, Canada, and the U.S.

Import

Between January and August 1997, fresh orange imports totaled 35,487 MT which included 28,125 MT brought in under the MMA quota. The weak economy the latter half of the year crimped import demand overall but not for top quality oranges. During the economic downturn importers continued to supply good quality oranges enabling them to maintain market share and brand recognition among Korean consumers.

In MY 1998/99, orange imports are projected at 40,000 MT. Some industry contacts project imports will top 53,000 MT, an estimated 20,000 MT of out of quota imports. Such estimates are based on the following: 1) attractive profit margins should encourage more private imports; 2) questionable quality of domestic fruits at the end of the season should spur some imports; 3) strong demand for consistent, good quality fruit. The U.S. orange crop is causing some Korean importers concern. Quality problems with imported fruit last season left many importers scrambling to secure sufficient produce to serve the Korean market. The major problems being the presence of restricted Septoria citrus and red scale on California oranges and citrus produce. Because of the quality problems last year and the smaller U.S. crop this year, importers and the Cheju Trading Company, the importer of MMA quota oranges for the Cheju Citrus Cooperative in MY 1997/98, are expected to engage more aggressive purchasing programs in MY 1998/99.

For MY 1998/99, the Cheju Trading Company intends to announce the first tender in December with delivery in February/March.

Uruguay Round Commitments, Tangerines

The Record of Understanding (ROU) signed between Korea and the United States on Agricultural Market Access in the Uruguay Round contains the following language on Fresh Oranges (HS 0805.10.0000):

“Korea shall liberalize fresh oranges on July 1, 1997. Korea shall provide access quotas for imported fresh oranges in the amounts specified below. The quota shall be expanded from the 1997 base of 25,000 MT at an annual growth rate of 12.5 percent. The in-quota tariff shall be bound at 50 percent. Korea shall bind in its Uruguay Round country schedule a ceiling binding of 99 percent and shall reduce such rate by no less than 50 percent over the implementation period.”

Korea: Import Quota and Tariff for Fresh Orange (Unit: MT, %)

Year	Quota	In-quota Tariff	Out-quota Tariff
1995	15,000	50	94.1
1996	20,000	50	89.2
1997	25,000	50	84.3
1998	28,125	50	79.4
1999	31,641	50	74.5
2000	35,596	50	69.6

2001	40,046	50	64.7
2002	45,052	50	59.8
2003	50,684	50	54.9
2004	57,020	50	50.0

Korea: Import Quota and Tariff for Other Citrus 1/
(Unit: MT, %)

Year	Quota	In-quota Tariff	Out-quota Tariff
1995	1,258	50	158.4
1996	1,351	50	156.8
1997	1,444	50	155.2
1998	1,537	50	153.6
1999	1,630	50	152.0
2000	1,723	50	150.4
2001	1,816	50	148.8
2002	1,909	50	147.2
2003	2,002	50	145.6
2004	2,097	50	144.0

1/ HS 0805.20.1000, HS 0805.20.9000, HS 0805.90.0000

Trade Matrix

Import Matrix for Orange

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	MY 1996/97 & Oct.1997 - Aug.1998		
Imports for	1996		1997
U.S.	36,723	U.S.	35,487
Others		Others	

New Zealand	23	New Zealand	18
Canada	37		
Total for Others	60		18
Others not listed			
Grand Total	36783		35505

Source: Korea Customs Service

Import Matrix for Lemon

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	MY 1996/97 & Oct. 1997 - Aug. 1998		
Imports for	1996		1997
U.S.	3000	U.S.	2252
Others		Others	
New Zealand	104		34
Total for Others	104		34
Others not listed			
Grand Total	3104		2286

Source: Korea Customs Service

Import Matrix for Grapefruit

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	MY 1996/97 & Oct.1997 - Aug.1998		
Imports for	1996		1997
U.S.	6,508	U.S.	1,221
Others		Others	
Total for Others	0		0
Others not listed			
Grand Total	6508		1221

Source: Korea Customs Service

Export Matrix for Citrus

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Oct.1997 - Aug.1998		
Exports for	1996		1997
U.S.		U.S.	1,183
Others		Others	
		Russia	1,002

		Canada	913
		Japan	330
		Singapore	99
		Hong Kong	47
		Guam	24
Total for Others	0		2415
Others not listed			615
Grand Total	0		4213

Source: Korea Customs Service

Import Matrix for FOJC

Import Trade Matrix				
Country: Korea				
Commodity: FOJC			Unit: MT & U\$1,000	
Imports for	MY 1996/97		Oct. 1997 - Aug. 1998	
Country	Vol	Val	Vol	Val
U.S.	12,277	19,403	6,327	9,086
Others				
Brazil	38,938	49,264	24,199	27,320
Mexico	81	131	161	227
Australia	0	0	125	205
Israel	0	0	65	287
Other	61	98	65	86
Total for Others	39,080	49,493	24,573	28,125
Grand Total	51,357	68,896	30,900	37,211

Source: Korea Customs Service

Export Matrix for FOJC

Export Trade Matrix				
Country: Korea				
Commodity: FOJC			Unit: MT & U\$1,000	
Imports for	MY 1996/97		Oct. 1997 - Aug. 1998	
Country	Vol	Val	Vol	Val
U.S.	45	61	50	76
Others				
Russia	5,453	4,333	2,612	1,936
Mongol	27	18	0	0
PRC	0	0	71	69
Other	61	98	65	86
Total for Others	5,519	4,383	2,713	2,086
Grand Total	5,564	4,444	2,763	2,162

Source: Korea Customs Service

Policy

The National Plant Quarantine Service still maintains the 100-percent fumigation policy implemented in MY 1997/98 after red scale was detected on imported oranges.

In May, 1998, the Korean Food and Drug Administration conformed its chemical residue standards to that of the Codex Alimentarius. This act removed a number of problems U.S. producers were having bringing produce into Korea.

Marketing

MY 1997/98 saw a large number of complaints about the poor quality imported oranges. Despite the slow economy many people are still willing to purchase high quality, though expensive, oranges. High quality is defined as good shape, appearance and sweetness. Maintaining these attributes with each shipment will help ensure the U.S. remains the primary supplier of oranges to this market.

FOJC Market Situation

Consumer demand for FOJC, the most popular fruit drink, has suffered a 30-percent drop since the onset of the

economic crisis last fall. Juice manufacturers are attempting to maintain premium juice consumption through strong marketing programs. Their expectation is that it will take at least two years for the juice market to return to the level experienced prior to the economic crisis. The loss of the Russian market, 50 percent of export sales in MY 1997/98, is placing a tremendous strain on the industry.

Price Table

* Exchange Rate: 1,321 Korean Won / 1 US\$, October 29, 1998

Korea: Average Tangerine Auction Price in Harvest Season

Prices Table					
Country:					
Commodity:					
Year:	1998				
Prices in (currency)	Korean Won	per (uom)	Kg		
Year	1997	1998	% Change		
Jan	1,369	677	-50.5%		
Feb	1,319	808	-38.7%		
Mar	1,428	1,048	-26.6%		
Apr		1,334	ERR		
May			ERR		
Jun			ERR		
Jul			ERR		
Aug			ERR		
Sep			ERR		
Oct	984		-100.0%		
Nov	664		-100.0%		
Dec	576		-100.0%		

Source: Cheju Citrus Grower's Cooperative

Korea: Average Tangerine Auction Price in Karak Wholesale Market for 1997-1998

(Unit: Korean Won per Kg)

Month	High Quality		Medium Quality	
	1997	1998	1997	1998

Jan.	1,789	900	1,384	705
Feb.	1,791	1,156	1,418	935
Mar.	1,856	1,500	1,453	1,182
Apr.	-	-	-	-
May	-	-	-	-
Jun.	-	-	-	-
Jul.	-	-	-	-
Aug.	-	-	-	-
Sep.	-	-	-	-
Oct.	1,045	N/A	780	N/A
Nov.	888	N/A	675	N/A
Dec.	789	N/A	588	N/A

Source: Karak Wholesale Market

Korea: Average Greenhouse Tangerine Auction Price in Karak Wholesale Market for 1997-1998
(Unit: Korean Won per Kg)

Month	High Quality		Medium Quality	
	1997	1998	1997	1998
May	5,767	5,565	4,771	4,622
Jun.	4,025	3,975	2,817	3,304
Jul.	3,762	3,808	2,592	3,062
Aug.	3,880	3,752	2,876	2,900
Sep.	4,114	N/A	3,218	N/A
Oct.	3,581	N/A	2,758	N/A

Source: Karak Wholesale Market

Korea: Average Imported Navel Auction Price in Karak Wholesale Market for 1997-1998
(Unit: Korean Won per Kg)

Month	High Quality	
	1997	1998
Jan.		2119
Feb.		2237
Mar.		3130
Apr.		2718
May		2689
Jun.		1781
Dec.	2338	

Source: Karak Wholesale Market

Korea: Average Imported Valencia Auction Price in Karak Wholesale Market for 1997-1998
(Unit: Korean Won per Kg)

Month	High Quality	
	1997	1998
Jun.		2,368
Jul.		2,508
Aug.	1,631	1,750
Sep.	1,649	N/A
Oct.	1,739	N/A
Nov.	1,391	N/A

Source: Karak Wholesale Market